



**WAJAX LIMITED**  
**News Release**

TSE Symbol: WJX

**WAJAX ANNOUNCES IMPROVED SECOND QUARTER 2003 EARNINGS**

(Dollars in millions, except per share data)	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Revenue	\$227.0	\$264.8	\$445.3	\$479.0
Net earnings	\$2.5	\$1.0	\$3.6	\$0.0
Earnings per share	\$0.16	\$0.07	\$0.23	\$0.00

**Halifax, Nova Scotia – August 12, 2003** – Wajax Limited today announced improved second quarter 2003 earnings of \$2.5 million, or \$0.16 per share, compared to \$1.0 million, or \$0.07 per share, for the corresponding period in 2002. For the first six months of 2003, the Company recorded earnings of \$3.6 million, or \$0.23 per share, compared to a break- even position in the prior year.

After adjusting for last year's fourth quarter sale of Pacific North Equipment (PNE), revenues were down by \$10.5 million. The majority of the decline was in Mobile Equipment as the second quarter of 2002 included a greater number of large mining equipment sales. A \$3.9 million revenue decline in Industrial Components was attributable to the change in the exchange rate on Spencer's U.S. dollar revenues and on softness in the forest products and primary metals market sectors.

The earnings improvement in the quarter was attributable to the continuation of the turnaround in the Industrial Components operation and reduced interest expense on lower debt. Earnings in Industrial Components benefited from improved margins and reduced selling and administrative expenses compared to the previous year. After adjusting for the sale of PNE, earnings in Mobile Equipment were relatively constant with the previous year. Diesel Engines earnings decreased partially as a result of increased occupancy and move-related costs incurred at the Company's new Calgary facility which opened in March of this year.

The Company generated \$2.7 million of cash flow before financing activities in the quarter, bringing the six month ended June 30 total to \$17.1 million. The Company continued to use this cash flow to reduce overall funded debt which amounted to \$93.3 million net of cash at the end of June. This resulted in a quarter-end debt-to-equity ratio of 0.54:1, compared to 0.79:1 in the second quarter of 2002.

Commenting on the second quarter and the outlook for the rest of the year, Neil Manning, President and CEO, stated "As in the first quarter, our second quarter results met our expectations. We continue to be encouraged that our cost reduction and margin improvement initiatives are paying off in improved earnings, even in the face of softness in certain sectors of the eastern Canada and U.S. economies. We are particularly encouraged by the turnaround at Spencer, which posted a small profit in June and is on track to approach a breakeven position for the second half of this year. After the first six months of the year, we remain confident that we will achieve our 2003 target of generating cash flow in excess of \$30 million, while recording a meaningful profit."

Wajax is a diversified company that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial components, through a network of over 100 branches across Canada and the western United States. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax will Webcast its Second Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Tuesday, August 12, 2003 at 2:00 p.m. EST. To access the Webcast, enter [www.wajax.com](http://www.wajax.com) and click on the link for the Webcast on the Investor Relations page. The archived Webcast will be available at the above mentioned website within 24 hours after the conference call.

This news release contains forward-looking information. Actual future results may differ from expected results.

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**WAJAX LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

(in thousands of dollars)	June 30 2003	December 31 2002	June 30 2002
<b>Current Assets</b>			
Cash and cash equivalents	\$ 7,175	\$ 13,557	\$ 3,287
Accounts receivable	111,311	114,305	137,261
Inventories	167,561	184,050	204,860
Income taxes receivable	655	3,431	5,491
Future income taxes	7,845	7,845	6,632
Prepaid expenses and other recoverable amounts	2,850	7,797	9,569
	<b>297,397</b>	<b>330,985</b>	<b>367,100</b>
<b>Non-Current Assets</b>			
Rental equipment	11,462	9,581	9,686
Capital assets	33,449	37,355	65,512
Goodwill and other assets (Note 8)	55,002	56,555	57,293
Future income taxes	5,454	7,562	6,006
	<b>105,367</b>	<b>111,053</b>	<b>138,497</b>
	<b>\$ 402,764</b>	<b>\$ 442,038</b>	<b>\$ 505,597</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 126,091	\$ 141,435	\$ 143,404
Current portion of long-term debt	14,573	29,580	4,403
	<b>140,664</b>	<b>171,015</b>	<b>147,807</b>
<b>Non-Current Liabilities</b>			
Future income taxes	2,680	2,680	9,373
Long-term debt	85,867	98,373	152,655
	<b>88,547</b>	<b>101,053</b>	<b>162,028</b>
<b>Shareholders' Equity</b>			
Share capital	102,212	102,212	102,212
Retained earnings (Note 8)	71,341	67,758	93,550
	<b>173,553</b>	<b>169,970</b>	<b>195,762</b>
	<b>\$ 402,764</b>	<b>\$ 442,038</b>	<b>\$ 505,597</b>

**WAJAX LIMITED**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**AND RETAINED EARNINGS**  
(unaudited)

(in thousands of dollars, except per share data)	Three months ended June 30		Six months ended June 30	
	<b>2003</b>	2002	<b>2003</b>	2002
Revenue	\$ <b>226,989</b>	\$ 264,771	\$ <b>445,267</b>	\$ 478,996
Cost of Sales	<b>176,991</b>	208,714	<b>347,248</b>	372,626
Gross Profit	<b>49,998</b>	56,057	<b>98,019</b>	106,370
Selling and administrative expenses	<b>42,787</b>	49,872	<b>85,534</b>	98,168
Earnings before interest and income taxes	<b>7,211</b>	6,185	<b>12,485</b>	8,202
Interest expense	<b>2,787</b>	4,253	<b>5,893</b>	8,208
Earnings (loss) before income taxes	<b>4,424</b>	1,932	<b>6,592</b>	(6)
Income tax expense (recovery) – current	<b>1,140</b>	1,887	<b>1,343</b>	996
– future	<b>791</b>	(1,000)	<b>1,666</b>	(1,000)
Net earnings (loss)	\$ <b>2,493</b>	\$ 1,045	\$ <b>3,583</b>	\$ (2)
Retained Earnings, beginning of period	<b>68,848</b>	92,505	<b>67,758</b>	102,614
Adjustment to opening retained earnings for goodwill impairment (Note 8)	-	-	-	(9,062)
Retained Earnings, end of period	\$ <b>71,341</b>	\$ 93,550	\$ <b>71,341</b>	\$ 93,550
Earnings per share	\$ <b>0.16</b>	\$ 0.07	\$ <b>0.23</b>	\$ 0.00
Number of common shares outstanding	15,696,960	15,696,960	15,696,960	15,696,960
Number of common share stock options outstanding	894,000	733,000	894,000	733,000

**WAJAX LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in thousands of dollars)	Three months ended June 30	
	2003	2002
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 2,493	\$ 1,045
Items not affecting cash flows:		
Amortization		
- Rental equipment	493	564
- Capital assets	1,772	2,540
- Deferred expenses	259	195
Pension expense	800	569
Future income taxes	251	(1,000)
<b>Cash flows before changes in non-cash working capital</b>	<b>6,068</b>	<b>3,913</b>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	3,937	(4,087)
Inventories	764	28,485
Prepaid expenses and other recoverable amounts	(474)	(33)
Accounts payable and accrued liabilities	(5,835)	(22,329)
Income taxes receivable	1,664	876
	56	2,912
<b>Cash flows provided by operating activities</b>	<b>6,124</b>	<b>6,825</b>
<b>INVESTING ACTIVITIES</b>		
Rental equipment additions	(2,454)	(556)
Rental equipment disposals	388	124
Capital asset additions	(1,415)	(3,643)
Proceeds on disposal of capital assets	53	292
	(3,428)	(3,783)
<b>Cash flows before financing activities</b>	<b>2,696</b>	<b>3,042</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt	-	(10,691)
Repayment of debentures	(1,165)	(1,069)
Hedging activities (Note 5)	(3,624)	-
	(4,789)	(11,760)
<b>Cash flows before effect of foreign exchange</b>	<b>(2,093)</b>	<b>(8,718)</b>
Effect of foreign exchange on translation adjustment	154	372
<b>Net change in cash and cash equivalents</b>	<b>\$ (1,939)</b>	<b>\$ (8,346)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>\$ 9,114</b>	<b>\$ 11,633</b>
<b>Cash and cash equivalents – end of period</b>	<b>\$ 7,175</b>	<b>\$ 3,287</b>
<b>Cash flows provided by operating activities include the following:</b>		
Interest paid	\$ 3,661	\$ 5,883
Income taxes (received) paid	\$ 111	\$ 1,496
<b>Significant non-cash transaction:</b>		
Rental equipment transferred to inventory	\$ 218	\$ 75

**WAJAX LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in thousands of dollars)	Six months ended June 30	
	2003	2002
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$ 3,583	\$ (2)
Items not affecting cash flows:		
Amortization		
- Rental equipment	967	1,127
- Capital assets	3,672	4,227
- Deferred expenses	515	386
Pension expense	1,697	1,357
Future income taxes	1,126	(1,000)
<b>Cash flows before changes in non-cash working capital</b>	<b>11,560</b>	<b>6,095</b>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	1,935	(781)
Inventories	14,587	38,458
Prepaid expenses and other recoverable amounts	4,872	(2,063)
Accounts payable and accrued liabilities	(15,220)	(16,195)
Income taxes receivable	2,701	(1,259)
	<b>8,875</b>	<b>18,160</b>
<b>Cash flows provided by operating activities</b>	<b>20,435</b>	<b>24,255</b>
<b>INVESTING ACTIVITIES</b>		
Rental equipment additions	(3,716)	(939)
Rental equipment disposals	490	281
Capital asset additions	(2,256)	(6,868)
Proceeds on disposal of capital assets	2,155	1,214
	<b>(3,327)</b>	<b>(6,312)</b>
<b>Cash flows before financing activities</b>	<b>17,108</b>	<b>17,943</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt	(15,191)	(18,296)
Repayment of debentures	(1,899)	(1,731)
Hedging activities (Note 5)	(6,336)	-
	<b>(23,426)</b>	<b>(20,027)</b>
<b>Cash flows before effect of foreign exchange</b>	<b>(6,318)</b>	<b>(2,084)</b>
Effect of foreign exchange on translation adjustment	(64)	492
<b>Net change in cash and cash equivalent</b>	<b>\$ (6,382)</b>	<b>\$ (1,592)</b>
<b>Cash and cash equivalent – beginning of period</b>	<b>\$ 13,557</b>	<b>\$ 4,879</b>
<b>Cash and cash equivalent – end of period</b>	<b>\$ 7,175</b>	<b>\$ 3,287</b>

**Cash provided by operating activities included the following:**

Interest paid	\$ 5,693	\$ 8,144
Income taxes (received) paid	\$ (724)	\$ 3,075

**Significant non-cash transaction:**

Rental equipment transferred to inventory	\$ 383	\$ 326
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**WAJAX LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Tabulated in thousands of dollars)  
(unaudited)

**Note 1 Significant accounting policies**

The accounting policies used in the preparation of these unaudited interim consolidated financial statements conform with those used in the Company's annual consolidated financial statements except for the changes noted below (See Note 2).

These interim consolidated financial statements do not include all of the disclosures included in the Company's annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2002.

**Note 2 Change in accounting policies**

Effective January 1, 2003, the Company adopted the Canadian Institute of Chartered Accountants new Accounting Guideline ACG-14, which requires certain disclosures of guarantees. The Company's annual consolidated financial statements as at and for the year ended December 31, 2002 disclose the existence of guarantees provided by the Company. As at June 30, 2003, the Company had guaranteed \$5.9 million (December 31, 2002 - \$3.5 million) for guaranteed residual value contracts and provided the option to customers for buy-back contracts in the amount of \$0.7 million (December 31, 2002 - \$0.6 million), with commitments arising between 2003 and 2009. The commitments made by the Company in these contracts reflect the estimated future value of the equipment, based on judgment and experience of management. Management does not anticipate that any material financial exposure is likely to result from such commitments.

**Note 3 Earnings per share**

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share information):

<b>Quarter</b>	<b>2003</b>		<b>2002</b>	
Numerator for basic and diluted earnings per share: – net income	<b>\$</b>	<b>2,493</b>	<b>\$</b>	1,045
Denominator for basic earnings per share : – weighted average shares		<b>15,696,960</b>		15,696,960
Denominator for diluted earnings per share: – weighted average shares		<b>15,696,960</b>		15,696,960
– effect of dilutive employee stock options		<b>50,567</b>		143,463
Denominator for diluted earnings per share		<b>15,747,527</b>		15,840,423
Basic earnings per share	<b>\$</b>	<b>0.16</b>	<b>\$</b>	0.07

<b>Quarter</b>		<b>2003</b>		2002
Diluted earnings per share	<b>\$</b>	<b>0.16</b>	<b>\$</b>	0.07

Of the 894,000 (2002 – 733,000) stock options outstanding at the end of the period, 397,000 (2002 – 317,000) options with an exercise price range of \$5.10-\$17.25 (2002 - \$6.70-\$17.25) are excluded from the above calculations as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

<b>Year-to-date</b>	<b>2003</b>		<b>2002</b>	
Numerator for basic and diluted earnings per share: – net income (loss)	<b>\$</b>	<b>3,583</b>	<b>\$</b>	<b>(2)</b>
Denominator for basic earnings per share : – weighted average shares		<b>15,696,960</b>		15,696,960
Denominator for diluted earnings per share: – weighted average shares		<b>15,696,960</b>		15,696,960
– effect of dilutive employee stock options		<b>21,081</b>		-
Denominator for diluted earnings per share		<b>15,718,041</b>		15,696,960
Basic earnings (loss) per share	<b>\$</b>	<b>0.23</b>	<b>\$</b>	<b>(0.00)</b>
Diluted earnings (loss) per share	<b>\$</b>	<b>0.23</b>	<b>\$</b>	<b>(0.00)</b>

Of the 894,000 (2002 – 733,000) stock options outstanding at the end of the period, 597,000 (2002 – 733,000) options with an exercise price range of \$4.25-\$17.25 (2002 - \$3.80-\$17.25) are excluded from the above calculations as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

#### **Note 4 Stock-based compensation plans**

During the first six months, the Company cancelled employee stock options to purchase 40,000 shares with a weighted-average exercise price of \$5.25 and weighted average remaining life of 7.08 years as of December 31, 2002. Of this amount, 12,000 options were exercisable as of December 31, 2002 with a weighted-average exercise price of \$6.70.

In addition, during the first six months, the Company issued employee stock options to purchase 60,000 shares with a weighted-average exercise price of \$3.96 and weighted average remaining life of 5.00 years at issuance. The Company has not recorded any compensation cost on the grant of these or any other stock options. There would be a nominal change to net earnings and earnings per share information if the Company had accounted for employee stock options under the fair value method.

#### **Note 5 Financial Instruments**

The Company had previously entered into interest rate swap agreements to manage its interest rate exposure on floating rate debt. During the quarter the Company unwound \$10.0 million of fixed interest rate swaps at a cost of \$0.3 million. At June 30, 2003 there were no outstanding interest rate swaps.

The Company hedges its foreign currency exposures on a portion of its U.S. dollar-denominated senior notes by entering into offsetting U.S. dollar forward contracts. During the quarter, the Company had a \$3.6 million loss on these hedging activities that was offset by a \$3.6 million unrealized foreign currency gain on the U.S. dollar-denominated senior notes. At June 30, 2003 the Company had entered into a short-term foreign currency forward contract to buy \$30 million U.S. dollars. There is no material difference between the face value of the foreign currency forward contract and its value as calculated by prevailing currency exchange rates.

**Note 6 Segmented information:**

	<b>For the three months ended June 30</b>	
	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Mobile Equipment *	114,149	148,985
Industrial Components		
- Canada	59,030	61,553
- United States	13,659	15,026
Total Industrial Components	72,689	76,578
Diesel Engines	40,967	41,066
Segment Eliminations	(816)	(1,859)
Total Consolidated	<u>226,989</u>	<u>264,771</u>
<b>Segment Earnings (Loss)</b>		
Mobile Equipment *	4,356	5,320
Industrial Components		
- Canada	543	(902)
- United States	(833)	(1,910)
Total Industrial Components	(290)	(2,812)
Diesel Engines	3,145	3,677
Total Consolidated	<u>7,211</u>	<u>6,185</u>

Interest expense and income taxes are not allocated to business segments. All other corporate expenses are allocated based on net working capital.

\* 2002 segment revenues and earnings for Mobile Equipment include the results of the PNE operations. These operations were sold on October 31, 2002. For the three months ended June 30, 2002, the revenues of the PNE operations were \$27,297 and divisional earnings, before allocation of corporate expenses, were \$1,305.

**For the six months ended  
June 30**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Mobile Equipment *	221,039	244,366
Industrial Components		
- Canada	116,409	123,731
- United States	<u>27,992</u>	<u>31,618</u>
Total Industrial Components	144,401	155,349
Diesel Engines	81,851	82,355
Segment Eliminations	<u>(2,024)</u>	<u>(3,074)</u>
Total Consolidated	<u><u>445,267</u></u>	<u><u>478,996</u></u>
<b>Segment Earnings (Loss)</b>		
Mobile Equipment *	7,389	4,729
Industrial Components		
- Canada	1,193	(712)
- United States	<u>(2,570)</u>	<u>(3,002)</u>
Total Industrial Components	(1,377)	(3,714)
Diesel Engines	<u>6,473</u>	<u>7,187</u>
Total Consolidated	<u><u>12,485</u></u>	<u><u>8,202</u></u>

Interest expense and income taxes are not allocated to business segments. All other corporate expenses are allocated based on net working capital.

\* 2002 segment revenues and earnings for Mobile Equipment include the results of the PNE operations. These operations were sold on October 31, 2002. For the six months ended June 30, 2002, the revenues of the PNE operations were \$40,648 and divisional profit, before allocation of corporate expenses, was \$54.

## **Note 7 Contingencies**

In the ordinary course of business, the Company may be exposed to contingent liabilities in varying amounts and for which provisions have been made in these Consolidated Financial Statements as appropriate. These liabilities could arise from litigation, environmental matters or other sources. It is not possible to determine the amounts that may ultimately be assessed against the Company, but management believes that any such amounts would not have a material impact on the business or financial position of the Company.

## **Note 8 Comparative information**

Certain comparative numbers have been reclassified to conform with current presentation. In particular, the reported June 30, 2002 balance sheet amounts for retained earnings and goodwill and other assets have been restated from their previously disclosed amounts to reflect the write-down of goodwill recorded effective January 1, 2002.